

NORTHERN ILLINOIS GAS COMPANY
d/b/a NICOR GAS COMPANY
DIRECT TESTIMONY OF
THOMAS M. MORETTI
ILLINOIS COMMERCE COMMISSION
DOCKET NO. 00-0718

ILLINOIS COMMERCE COMMISSION
Nicor 5/31/01 *SL*

1 Q. Please state your name and business address.

2 A. Thomas M. Moretti, 1844 Ferry Road, Naperville, Illinois 60563.

3 Q. By whom are you employed?

4 A. Northern Illinois Gas Company d/b/a Nicor Gas Company ("Nicor Gas"
5 or "Company").

6 Q. What position do you hold with Nicor Gas?

7 A. I am Coordinator Rate Administration, Economics and Rates.

8 Q. Please summarize your educational background and your experience in
9 the public utility business.

10 A. I hold the degree of Bachelor of Arts, majoring in Political Science from
11 Lewis University. I also have a Master's degree in Business
12 Administration from Benedictine University. I have been employed by
13 Nicor Gas since 1979. From 1979 until 1998, I held positions in
14 Auditing, Accounting, Customer Service, Human Resources and Credit.
15 I assumed my present responsibilities in February, 1998.

16 Q. What is the purpose of your testimony in this proceeding?

17 A. The purpose of my testimony in this case is to explain Nicor Gas'
18 reconciliation of Gas Supply Cost ("GSC") revenues collected with its
19 actual cost of gas distributed, to the extent that such costs are

1 recoverable, as recorded on the books of the Company for the 12 months
2 ended December 31, 2000. My testimony and exhibits are in response to
3 the Commission's Order Commencing Reconciliation Proceedings
4 entered November 9, 2000, in Docket No. 00-0718.

5 Q. Was notice given to the public relative to the filing of the testimony and
6 exhibits in this docket?

7 A. Yes. Pursuant to the requirements set forth in the Commission's Order,
8 and in accordance with the requirements of 83 Illinois Administrative Code
9 Part 255, we have posted a printed "Public Notice" card with respect to
10 this case in the business offices of the Company, and a similar public
11 notice was published in newspapers of general circulation in Nicor Gas'
12 service territory. A copy of the printed card and affidavits of publication
13 will be presented during the hearings in this proceeding. In addition,
14 copies of Nicor Gas' testimony and exhibits are on file and available for
15 public inspection in each of the Company's business offices.

16 Q. Please generally describe Nicor Gas' Rider 6, Gas Supply Cost.

17 A. Rider 6 prescribes the method of computing charges which reflect the cost
18 of gas charged by the Company's suppliers for quantities of gas purchased,
19 transported, stored, and sold. The purpose and intent of Rider 6 is to
20 promptly pass along to customers Nicor Gas' net gas supply cost, without
21 markup or profit.

22 Q. Does Rider 6 comply with the 83 Ill. Adm. Code Section 525 Purchased
23 Gas Adjustment Clause requirements?

1 A. Yes.

2 Q. Has Nicor Gas filed monthly purchased gas adjustment calculations for
3 2000 with the Commission?

4 A. Yes. In accordance with the provisions of Rider 6, relating to changes in
5 the adjustment, each time the GSC charges were revised Nicor Gas
6 submitted to the Commission for verification a sheet supplemental to the
7 Company's rate schedule, specifying the revised amount of the
8 adjustment, along with a statement of details and data showing Nicor
9 Gas' calculations. The filings were mailed on or before the twentieth
10 day of the month prior to the effective month in which the new GSC
11 charges would affect billing to the Company's customers. However, in
12 May, 2000, Nicor Gas Company did refile the GSC charge effective in
13 June, 2000 to reflect the change in market price.

14 Q. How are GSC charges applied in billing the Company's customers?

15 A. Changes in the GSC charges become effective on the first day of a
16 calendar month. However, as a practical matter, Nicor Gas bills all
17 customers on the basis of reading day cycles which cover various
18 monthly time periods. Therefore, the Company prorates the effective
19 amounts of the Rider 6 adjustment according to the number of days each
20 such GSC charge was in effect during each customer's billing period.
21 The prorated level of GSC charges is shown on the customer's bill.

22 Q. Please describe Nicor Gas' proration procedure.

1 A. For each customer, the meter reading date is the controlling factor. If,
2 for example, a customer's meter is read on January 15th, and had
3 previously been read on December 16, we assume that 14/30 of the
4 usage was subject to the GSC charges effective in January and 16/30
5 subject to the charges during December. This system of prorating
6 charges has been used by the Company for many years and is embodied
7 in the revenue calculations reflected in the exhibits to this testimony.

8 Q. Does proration of the GSC charges complicate a reconciliation of
9 recovered revenues with allowable recoverable gas costs?

10 A. No. The annual reconciliation method is prescribed in the Purchased
11 Gas Adjustment Clause. The revenues are simply those that are recorded
12 for the year.

13 Q. Please describe the gas costs recoverable through Rider 6.

14 A. The costs incurred by the Company and recovered through Rider 6 are:
15 (1) gas costs based on volumes of gas purchased through suppliers,
16 generally referred to as Commodity Gas Costs; and (2) gas costs other
17 than those defined as commodity related, generally referred to as
18 Non-Commodity Gas Costs.

19 Q. Please describe the charges used to recover Nicor Gas' costs through
20 Rider 6.

21 A. Four gas cost charges are employed. These charges are described in
22 Exhibit A. The Commodity Gas Cost charge ("CGC") reflects
23 commodity costs. It is applied to all therms of Company-supplied gas.

1 Non-commodity gas costs are recovered through either the
2 Non-Commodity Gas Cost charge ("NCGC") or the Demand Gas Cost
3 charge ("DGC"). The Gas Cost charge ("GC") is the sum of the CGC
4 and NCGC, and is applied to most sales service rates (other than Rates 6
5 and 7). The DGC is applicable as a backup charge to customers on
6 Nicor Gas' system that have elected to transport their own gas supplies,
7 but wish to maintain the availability of Company-supplied gas, or
8 customers receiving sales service under Rate 6 or Rate 7. Specific
9 application of these charges varies depending on a customer's rate and
10 elected level of backup service. The charges may also apply at the
11 calculated level (such as the CGC and the NCGC) or at a percentage of
12 the calculated level (such as the DGC). In addition, charges may apply
13 to gas supplied by Nicor Gas, customer-owned use, total throughput, or
14 a percentage of the customer Maximum Daily Contract Quantity. Since
15 August 15, 1997, authorized, requested authorized, and unauthorized
16 therms sold to transportation customers are priced at the higher of Nicor
17 Gas' currently effective GC or the Market Price, which is defined in the
18 Company's Terms and Conditions as the index price for deliveries to the
19 Chicago City Gate as published in Gas Daily. In addition, there is a
20 fifth charge called the Aggregator Balance Service Charge ("ABSC")
21 which is a non-commodity related charge applied to customers
22 participating in the Customer Select Pilot Program. This charge is
23 explained in more detail later in my testimony.

1 Q. Is each cost category reconciled?

2 A. Yes. Pursuant to tariffs approved in Docket No. 88-0277 and filed in
3 compliance with Docket No. 94-0403, revenues recovered under the
4 CGC are reconciled with recoverable commodity gas costs; and revenues
5 recovered under the DGC or NCGC are reconciled with recoverable
6 non-commodity gas costs.

7 Q. Was an annual reconciliation statement for 2000 filed in accordance with
8 the Purchased Gas Adjustment Clause?

9 A. Yes. The annual statement for 2000, included as Exhibit B, is being
10 filed concurrent with this testimony on March 30, 2001.

11 Q. Please briefly describe Exhibit B.

12 A. Page 1 of Exhibit B is the transmittal letter for the 2000 Reconciliation
13 Balance filing. Page 2 of Exhibit B is a summary calculation of
14 the "Reconciliation Balance for the Reconciliation Period Ended
15 December 31, 2000". This statement compares the total revenues
16 recorded under the various charges of the Company's Rider 6 provisions,
17 with the appropriate category of recoverable cost of gas distributed, to
18 arrive at the balance to be refunded or recovered under the two
19 individual reconciliation balances. For the year 2000, the total net
20 balance to be recovered was \$36,952,143. This amount is the sum of the
21 two individual reconciliations, the commodity related balance to be
22 recovered of \$50,164,892 and the non-commodity related balance to be

1 refunded of \$13,212,749. Page 3 of Exhibit B contains a detailed
2 explanation of the summary.

3 Q. Please describe Page 4 of Exhibit B.

4 A. Page 4 of Exhibit B reflects the monthly amounts of recoverable
5 commodity-related gas costs and revenues which were recorded under
6 the Company's CGC pursuant to the Rider 6 provision as in effect for
7 the 2000 reconciliation year.

8 Q. Has the under recovered commodity related Reconciliation Balance of
9 \$50,164,892 been reflected in the CGC charges?

10 A. Yes. The under-recovered amount has been reflected in the CGC
11 charges effective for the months of January and February, 2001.

12 Q. Please describe Page 5 of Exhibit B.

13 A. Page 5 of Exhibit B reflects the monthly amounts of recoverable
14 non-commodity related gas costs and revenues which were recorded
15 under the Company's NCGC and DGC pursuant to the Rider 6 provision
16 as in effect for the 2000 reconciliation year.

17 Q. Has the balance to be refunded of \$13,212,749 been reflected in the
18 DGC and NCGC charges?

19 A. Yes. The over-recovered amount has been reflected in the DGC and
20 NCGC charges effective for the months of January and February, 2001

21 Q. Was the cost of gas used by the Company reflected in the amount to be
22 recovered under either of the Reconciliation Balances?

23 A. No. Such costs are not recoverable through the GSC mechanism.

1 Q. Please describe Page 6 of Exhibit B.

2 A. Page 6 summarizes the information included in the Company's monthly
3 filings for commodity-related gas costs and recoveries through the CGC
4 charge. This information is presented pursuant to the filing requirements
5 included in the Order commencing this proceeding.

6 Q. Is the "Commodity Related Over/Under Recovery" on Page 4 of Exhibit
7 B the same as the "Under/(Over) Recovery Balance at 12/31/00" on
8 Page 6 of Exhibit B?

9 A. No. The difference of \$101,800 is due to interest on unamortized
10 balances, which was included in the monthly filings effective November
11 1, 2000, and which will not be reflected as an adjustment to commodity
12 related recoveries until January 2001. Consequently, this results in a
13 timing difference between the reconciliation balance and the monthly
14 filings.

15 Q. Please describe Page 7 of Exhibit B.

16 A. Page 7 also summarizes information included in the Company's monthly
17 filings, but pertains to non-commodity gas costs and recoveries through
18 the NCGC and the DGC charges.

19 Q. Is the "Non-Commodity Related Over/Under Recovery" on Page 5 of
20 Exhibit B the same as the "Under/(Over) Recovery Balance at 12/31/00"
21 on Page 7 of Exhibit B?

22 A. Yes. However, a difference of \$5 is due to rounding.

1 Q. In the period covered by this reconciliation, were any FERC Order No.
2 636 transition costs billed to Nicor Gas?

3 A. Yes. In 2000, total FERC Order No. 636 transition costs resulted in a
4 credit to the Company of \$842,092. This amount was entirely non-
5 commodity related credits distributed through the NCGC and DGC
6 charges.

7 Q. Were FERC Order No. 636 transition credits distributed exclusively
8 through Rider 6?

9 A. Yes. Nicor Gas refunded these credits to both sales and transportation
10 customers as directed by the Commission in Docket No. 93-0328.

11 Q. What amount was collected through the Transition Surcharge with
12 respect to FERC Order No. 636 transition costs?

13 A. The total collected through the Transition Surcharge and debited to the
14 CGC was \$1 as shown on Page 4 of Exhibit B. The amount collected
15 reflects billing adjustments from previous years.

16 Q. Please explain the revenue item, on Page 4 of Exhibit B, entitled "Excess
17 Storage Charges".

18 A. Pursuant to tariffs approved in Docket No. 88-0277 and revised in
19 Docket No. 95-0219, Nicor Gas' transportation service customers are
20 allowed to store certain volumes of customer-owned gas in Nicor Gas'
21 storage facilities. When a customer's actual storage balance is in excess
22 of the allowed storage balance, the excess storage balance volume is
23 subject to an Excess Storage Charge of \$.10 per therm. All such Excess

1 Storage Charge revenue billed to customers is refunded through the
2 Commodity Related Reconciliation Balance, in compliance with the
3 Commission's Orders in Docket Nos. 88-0277 and 95-0219.

4 Q. Please explain the revenue item, on Page 4 of Exhibit B, entitled
5 "Storage Services".

6 A. Pursuant to the Commission's Order in Docket No. 95-0219, Nicor Gas
7 includes revenue received from the sale of storage services to off-system
8 customers as a credit to Rider 6, through the commodity-related
9 Reconciliation Balance. The item entitled "Storage Services" contains
10 the revenue credits, equal to revenues billed for off-system storage
11 services in 2000.

12 Q. Please explain the revenue item, also on Page 4 of Exhibit B, titled
13 "Unauthorized Use Charges".

14 A. Certain of Nicor Gas' transportation service customers have elected the
15 option of being served with less than full backup service. When a
16 customer uses Company-supplied gas in excess of amounts available
17 under the applicable service contract, and the use was unauthorized as
18 determined in the Company's tariff, that use is subject to an
19 Unauthorized Use Charge.

20 Q. Please describe that charge.

21 A. The Unauthorized Use Charges are comprised of the (1) the higher of the
22 Company's Gas Cost ("GC") or the Market Price, which is defined in
23 Nicor Gas' Terms and Conditions as index price for deliveries to the

1 Chicago City Gate as published in Gas Daily; (2) the distribution charges
2 as specified in the customer's gas service rate; and (3) \$6 for each therm
3 of Unauthorized Use. The \$6 per therm portion of the Unauthorized Use
4 Charges is refunded through the Commodity Related Reconciliation
5 Balance.

6 Q. Were the Unauthorized Use Charges and refunding of the charges
7 approved by the Commission?

8 A. Yes. Both were approved by the Commission in Docket Nos. 88-0277
9 and 95-0219.

10 Q. Please explain the revenue item shown on Exhibit B, Page 4, titled
11 "Rider 5 Revenues."

12 A. Rider 5, Storage Service Cost Recovery, was also approved by the
13 Commission in Docket No. 95-0219. Rider 5 ensures recovery of the
14 Company's storage related investments, following elections made by
15 transportation customers. The cost of storage investment not elected by
16 transportation customers is recovered from sales customers through
17 Rider 5, which is added to and included as part of the monthly CGC
18 charge for billing purposes. The adjustment reflected on Exhibit B for
19 Rider 5 eliminates this revenue from the Reconciliation Balance, since it
20 is unrelated to gas costs incurred.

21 Q. Please explain the revenue item shown on Exhibit B, Page 5, titled
22 "Aggregator Balance Service Charge."

1 A. In 1998, pursuant to Rider 15, the Company began a customer choice
2 pilot program called Customer Select. Under the provisions of the pilot
3 program, customers are able to choose gas suppliers other than Nicor
4 Gas. The program allows participating suppliers to aggregate deliveries
5 made on behalf of participating customers, in compliance with Rider 16,
6 Supplier Aggregation Service. The Aggregator Balance Service Charge
7 ("ABSC") is a non-commodity related charge applied on a per therm
8 basis to all deliveries made by the Company to the facilities of customers
9 participating in the pilot program. Under Rider 16, suppliers are
10 responsible for providing 28% of the group's maximum daily usage. The
11 ABSC, which is billed to the suppliers, represents the recovery of non-
12 commodity costs for the remaining portion of the group's maximum
13 daily use provided by the Company.

14 Q. Were the ABSC costs recovered exclusively through Rider 6?

15 A. Yes. Nicor Gas recovered these costs from the supplier aggregators
16 under the terms of Rider 6. The ABSC was applied to deliveries to
17 customers participating in the Customer Select program and billed to the
18 supplier aggregators. Revenue arising from application of the ABSC
19 was credited to the non-commodity related gas costs, thereby reducing
20 the NCGC.

21 Q. Pages 4 and 5 of Exhibit B reflect line items titled "Amortization of
22 Refunds" and "Amortization of Previous Years RB." What do these line
23 items represent?

1 A. Pursuant to the Commission's Order in Docket No. 94-0403, 83 Ill.
2 Adm. Code 525.50 (b) allows the Company to amortize an Adjustment
3 Factor ("Factor A") over a period longer than the Base Period, as
4 defined in 83 Ill. Adm. Code 525.20, but not to exceed 12 months.
5 These line items represent the amortization of pipeline and storage
6 refunds, and of prior over or under collected gas costs. Prior to the
7 Commission's Order, amortization expense was reflected outside the
8 calculation of the Reconciliation Balance.

9 Q. Please explain the revenue item titled "Interest on Refunds," as shown
10 on Page 4 of Exhibit B.

11 A. Interest is calculated on the unamortized balances related to the
12 amortization expenses described above. Per 83 Ill. Adm. Code 525.50
13 (b), the Company computes the associated carrying charge on
14 unamortized refunds and over/under collections, in effect at the time the
15 amortization is initiated, based on the rate established under 83 Ill. Adm.
16 Code 280.70 (e) (1). Interest is included, through Factor A, with the
17 CGC, NCGC, and DGC charges, as applicable.

18 Q. What type of review is performed in conjunction with the Company's
19 Annual Reconciliation Filing with the Commission?

20 A. The Annual Reconciliation Filing is reviewed by Arthur Andersen LLP,
21 the Company's independent public accountants. Their report is included
22 as Page 8 of Exhibit B. The reconciliation itself is prepared by Nicor
23 Gas employees from several departments.

1 Q. What type of review procedure is in place for the monthly filings?

2 A. The inputs for the monthly GSC calculation are compared to similar
3 inputs to the Company's forecasting model to insure that proper charges
4 and volumes are used.

5 Q. Please describe the procedure used to prepare the Company's monthly
6 GSC filings.

7 A. The Rate, Supply, Supply Accounting and Forecasting Departments
8 contribute to preparation of the monthly filing. These departments are
9 familiar with the terms and provisions of Rider 6, and understand which
10 costs are recoverable through the GSC. The Rate Department prepares
11 the final document filed with the Commission. Forecasting, Supply and
12 Supply Accounting are involved in preparation of the documents used to
13 support the filing.

14 Q. How do these departments provide a check on the accuracy of the
15 monthly filings?

16 A. These departments must be in agreement with the treatment of costs in
17 the monthly GSC filing.

18 Q. What other review is performed with regard to monthly filings?

19 A. The Company's Internal Auditing Department, on an annual basis,
20 reviews a monthly filing, source documents and a copy of Rider 6 as in
21 effect at the time of the filing. This review is designed to assure that
22 only appropriate costs were included in the filing, thereby providing a

1 further check on the inter-departmental review that I have previously
2 described.

3 Q. Does this conclude your direct testimony?

4 A. Yes.

**Northern Illinois Gas Company
d/b/a Nicor Gas Company**

**Exhibit A
Docket No. 00-0718**

Gas Cost charge (GC) GC = CGC + NCGC	As of December 31, 2000 <u>Charge Applicable to:</u> Applicable to therms distributed to customers served under Rate 1; therms distributed to sales service customers under Rate 4, Rate 10 or Rate 11; and therms of Excess Use sold to customers under Rate 74, Rate 76, Rate 77, or Rate 81, or Rider 13.
Commodity Gas Cost charge (CGC)	Applicable to therms of company-supplied gas sold to customers under Rider 25, Rate 6, Rate 7, Rate 74, Rate 76, Rate 77, or Rate 81, or Rider 13.
Demand Gas Cost charge (DGC)	Applicable to forty percent of the Maximum Daily Contract Quantity (MDCQ) of customers served under Rate 6 or Rate 7, and Rider 25, and to the elected level of Firm Backup Service for customers served under Rate 74, Rate 76, Rate 77, or Rate 81, or Rider 13.
Non-Gas Commodity Gas Cost charge (NCGC)	Applicable to therms of company-supplied gas sold to customers served under Rider 25, Rate 74, Rate 76, Rate 77, or Rate 81, or Rider 13.



Nicor Gas
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Aurora, IL 60507-0190

Phone 630 983-8676
Internet www.nicorinc.com

March 29, 2001

Ms. Donna M. Caton
Chief Clerk
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62706

Dear Ms. Caton:

Enclosed are the calculations of Northern Illinois Gas Company's d/b/a Nicor Gas Company Annual Reconciliation Balance for the reconciliation period ended December 31, 2000. The detailed statements included as pages 3 through 4 contain, for each month of 2000, the recoverable gas costs and the revenues recorded under the various Gas Supply Cost charges. Also included is the report of Arthur Andersen LLP, independent public accountants, and an affidavit of an officer of the Company.

These statements have been prepared in accordance with the Commission's Amendatory Order of October 3, 1995, in Docket No. 94-0403, Uniform Purchased Gas Adjustment clause(s) (83 Illinois Administrative Code Part 525).

As shown on page 1 of the enclosure, the net reconciliation balance to be recovered is \$36,952,143.

A copy of this filing is being sent to Mr. John Hendrickson, Rate Design Department of the Commission in Springfield. An additional copy of this filing is also enclosed for your convenience in acknowledging its receipt.

Sincerely,

Albert E. Harms
Manager Rate Research

Enclosures

NORTHERN ILLINOIS GAS COMPANY
d/b/a NICOR GAS COMPANY

RECONCILIATION BALANCE FOR THE RECONCILIATION PERIOD ENDED
DECEMBER 31, 2000

Commodity Related Reconciliation (See Page 3 for detail)

Revenues Recorded Under Commodity Related Charges (Note 1)	\$ 1,133,275,456
Recoverable Commodity Related Costs (Note 2)	<u>1,183,440,348</u>
Balance to be Recovered under Section E	\$ <u>(50,164,892)</u>

Non-Commodity Related Reconciliation (See Page 4 for detail)

Revenues Recorded Under Non-Commodity Related Charges (Notes 3 and 5)	\$ 139,360,657
Recoverable Non-Commodity Related Costs (Note 4)	<u>126,147,908</u>
Balance to be Refunded under Section E	\$ <u>13,212,749</u>

Total Reconciliation

Revenues Recorded	\$ 1,272,636,113
Recoverable Costs	<u>1,309,588,256</u>
Total Balance to be Recovered	\$ <u>(36,952,143)</u>

Notes:

1. Revenue arising: (1) through application of the Commodity Gas Cost charge (CGC) component of the Gas Cost charge (GC) to therms sold; (2) through application of the Transition Surcharge to customer-owned therms delivered under Rate 74 (General Transportation Service), Rate 76 (Large General Transportation Service), Rate 77 (Large Volume Transportation Service), Rate 81 (Energy Transportation Service), and Rider 25 (Firm Transportation Service); (3) from estimated unbilled service; (4) under the Unauthorized Use Charge provisions of Rate 74, Rate 76, Rate 77, and Rate 81, and Rider 13, exclusive of gas costs; (5) under the Excess Storage Charge provisions of Rate 74, Rate 76, Rate 77, Rate 81, and Rider 25 and Rider 13; and (6) exclusive of Standard Rider 5 revenue and interest.
2. The Commodity Gas Costs recoverable through the Gas Supply Cost (as recorded on the books of the Company for 2000).
3. Revenue arising: (1) through application of the Non-Commodity Gas Cost charge (NCGC) component of the Gas Cost charge (GC) to therms sold; (2) through application of the Demand Gas Cost charge (DGC) to Firm Backup Service levels of customers; (3) through application of the Aggregator Balancing Service Charge to customer-owned therms delivered under Rider 15, Customer Select Pilot Program and billed to suppliers providing service to such customers under Rider 16, Supplier Aggregation Service; (4) from estimated unbilled service; and (5) exclusive of interest.
4. Non-Commodity Gas Costs recoverable through the Gas Supply Cost (as recorded on the books of the Company for 2000).
5. Application of the Non-Commodity Gas Cost charge (NCGC) and Demand Gas Cost charge (DGC), pursuant to the Commission's Orders in Docket Nos. 88-0277 and 95-0219. The NCGC is applicable at the full calculated level to therms sold by the Company, and Authorized and Unauthorized Use therms sold to Rate 74, Rate 76, Rate 77, Rate 81, and Rider 13. The DGC is applicable to forty percent of Maximum Daily Contract Quantity (MDCQ) for Rate 6, Rate 7, and Rider 25, and to the elected level of Firm Backup Service for Rate 74, Rate 76, Rate 77, and Rate 81.

Basis of Presentation

These statements have been prepared from the books and records of the Company in accordance with the annual reconciliation provision of Section G of Rider 6 of the Company's rate schedule in effect and on file with the Illinois Commerce Commission.

NORTHERN ILLINOIS GAS COMPANY
d/b/a NICOR GAS COMPANY
COMMODITY RELATED RECONCILIATION BALANCE
STATEMENT OF REVENUES AND RECOVERABLE COSTS
FOR THE RECONCILIATION PERIOD ENDED DECEMBER 31, 2000

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	2000 TOTAL
REVENUES RECORDED UNDER													
COMMODITY CHARGES													
COMMODITY GAS CHARGE (CGC)	\$140,988,869	\$96,234,123	\$68,106,962	\$54,674,079	\$26,818,616	\$28,353,425	\$23,691,377	\$28,251,117	\$30,877,091	\$72,130,170	\$191,954,394	\$368,552,465	\$1,130,832,688
TRANSITION SURCHARGE	0	0	1	0	0	0	0	0	0	0	0	0	1
EXCESS STORAGE CHARGES	74,960	17,012	40,039	62,172	57,513	59,048	93,446	(41,901)	40,331	37,672	108,863	(3,274)	545,881
STORAGE SERVICES	106,667	106,667	106,667	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	1,065,001
UNAUTHORIZED USE CHARGES	(95,811)	0	0	0	0	0	0	0	0	(68,808)	0	1,741,209	1,578,490
RIDER 5 REVENUES	52,909	35,149	30,092	14,474	13,950	6,267	6,774	11,789	10,791	25,369	66,068	121,926	396,456
INTEREST ON REFUNDS	(846)	0	0	36,044	(18,829)	(30,184)	(47,503)	(101,950)	(216,524)	(254,019)	(212,725)	(114,525)	(961,061)
TOTAL	\$141,126,749	\$96,392,951	\$68,283,761	\$54,871,769	\$26,956,250	\$28,473,556	\$23,829,094	\$28,204,055	\$30,796,689	\$71,955,284	\$192,002,498	\$370,382,801	\$1,133,275,456
RECOVERABLE COMMODITY													
RELATED COSTS													
FIRM SUPPLY	\$ 78,041,568	\$ 61,142,475	\$ 29,255,344	\$ 23,747,031	\$ 38,708,548	\$ 61,943,460	\$ 80,669,501	\$ 55,560,317	\$ 69,443,227	\$ 59,416,088	\$ 148,509,937	\$ 321,381,325	\$1,037,818,819
SPOT GAS PURCHASES	2,380,537	794,124	4,389,489	5,032,736	5,206,221	31,847,317	7,195,518	3,712,520	20,972,829	35,267,067	(38,246,942)	34,074,136	112,616,552
INVENTORY ACTIVITY	46,591,631	36,667,507	41,662,071	32,366,126	(4,046,693)	(36,751,998)	(62,247,664)	(33,851,018)	(47,360,224)	(31,952,954)	44,522,499	17,225,525	2,824,808
PURCHASED STORAGE SERVICE	4,165	0	0	0	363,808	(363,808)	0	0	0	0	0	0	4,165
COMMODITY CREDITS	0	(306,400)	(493,600)	(3,593,660)	0	(1,285,818)	0	0	0	0	0	0	(5,678,478)
HEDGING COSTS	(16,409)	146,124	(43,135)	811,880	(2,063,676)	(219,096)	(796,584)	2,141,175	(621,197)	12,659,419	2,275,790	3,600,339	17,874,630
SUPPLY MANAGEMENT COSTS	0	0	0	220,000	0	264,095	0	0	194,776	0	0	4,425,151	5,104,022
AMORTIZATION OF PREVIOUS YEARS RB	2,920,098	9,956,732	0	0	0	0	0	0	0	0	0	0	12,876,830
TOTAL	\$129,921,588	\$108,400,562	\$74,770,169	\$58,584,113	\$38,168,208	\$55,434,152	\$34,820,771	\$27,562,994	\$42,829,411	\$75,379,620	\$157,062,284	\$380,706,476	\$1,183,440,348
COMMODITY RELATED													
OVER / (UNDER) COLLECTION													
	\$11,205,160	(\$12,007,611)	(\$6,486,408)	(\$3,712,344)	(\$11,211,958)	(\$26,960,596)	(\$10,991,677)	\$641,061	(\$11,832,722)	(\$3,424,336)	\$34,940,214	(\$10,323,675)	(\$50,164,892)

NORTHERN ILLINOIS GAS COMPANY
d/b/a NICOR GAS COMPANY
NON-COMMODITY RELATED RECONCILIATION BALANCE
STATEMENT OF REVENUES AND RECOVERABLE GAS COSTS
FOR THE RECONCILIATION PERIOD ENDED DECEMBER 31, 2000

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	2000 TOTAL
REVENUES RECORDED UNDER													
NON-COMMODITY RELATED CHARGES													
DGC AND NCGC	\$24,450,030	\$16,813,969	\$13,202,403	\$10,386,143	\$4,778,081	\$4,192,948	\$3,143,146	\$3,603,510	\$3,639,630	\$6,339,341	\$15,368,871	\$29,071,394	\$134,987,466
AGGREGATOR BALANCE SERVICE CHARGE	565,120	704,350	577,763	399,459	308,339	188,078	157,853	134,800	135,860	173,371	281,485	746,733	4,373,191
SUBTOTAL	\$25,015,150	\$17,518,319	\$13,780,166	\$10,785,602	\$5,086,420	\$4,381,026	\$3,300,999	\$3,738,310	\$3,775,490	\$6,512,712	\$15,648,356	\$29,818,127	\$139,360,657
RECOVERABLE NON-COMMODITY RELATED COSTS													
FIRM SUPPLY	\$ 10,584,284	\$ 10,496,403	\$ 9,783,243	\$ 7,248,818	\$ 7,264,100	\$ 7,177,983	\$ 7,462,916	\$ 7,163,308	\$ 7,161,177	\$ 7,351,646	\$ 7,857,825	\$ 8,769,222	\$ 98,320,925
FERC ORDER 636 TRANSITION CHARGE	(52,180)	(52,180)	(52,180)	(58,560)	(58,560)	(106,931)	(106,931)	(106,931)	(106,931)	(106,931)	(106,931)	73,154	(842,092)
DEMAND AND OTHER CREDITS	(276,657)	(518,169)	(1,704,212)	(1,034,990)	215,419	(265,879)	(443,532)	(2,275,988)	(294,507)	(764,078)	(3,024,422)	1,470,929	(8,914,088)
PURCHASED STORAGE SERVICE	2,806,813	2,253,607	2,521,565	3,358,566	3,255,516	3,619,323	3,185,241	3,159,891	3,255,516	3,255,516	3,255,515	1,161,502	35,088,571
AMORTIZATION OF REFUNDS	0	0	0	0	(425,275)	(145,089)	0	0	0	0	0	0	(570,384)
AMORTIZATION OF PREVIOUS YEARS RB	(16,667,070)	18,732,024	0	0	0	0	0	0	0	0	0	0	3,064,954
TOTAL	(\$3,604,810)	\$31,913,685	\$10,548,416	\$9,513,834	\$10,251,200	\$10,279,407	\$10,097,694	\$7,940,280	\$10,015,255	\$9,738,153	\$7,981,987	\$11,474,807	\$128,147,908
NON-COMMODITY RELATED OVER / (UNDER) COLLECTION	\$28,619,980	(\$14,395,388)	\$3,231,750	\$1,271,788	(\$5,164,780)	(\$5,898,381)	(\$8,796,695)	(\$4,201,070)	(\$6,239,785)	(\$3,223,441)	\$7,668,349	\$18,343,320	\$13,212,749

Northern Illinois Gas Company
d/b/a Nicor Gas Company
Docket No. 00-0718
PGA Reconciliation for the Year Ended December 31, 2000

Commodity Gas Cost

Line	Description	Per Filings
1	Unamortized Balance as of 12/31/99 per 1999 Reconciliation	0
2	Factor A Adjustments Amortized to Schedule 1 at 12/31/99 per 1999 Reconciliation	12,877,678
3	Factor O Collected/(Refunded) during 2000	0
4	Balance to be Collected/(Refunded) during 2000 from prior periods (sum of lines 1 thru 3)	<u>\$12,877,678</u>
5	2000 Gas Costs	1,168,441,143
6	2000 PGA Revenues	(1,132,114,145)
7	Pipeline Surcharges/(Refunds)	0
8	Other Adjustments	0
9	Interest	<u>1,062,016</u>
10	2000 Under/(Over) Recovery (sum of lines 5 thru 9)	<u>\$37,389,014</u>
11	Under/(Over) Recovery Balance at 12/31/00 (line 4 + line 10)	50,266,692
12	Factor A Adjustments Amortized to Schedule 1 at 12/31/00	50,266,692
13	Unamortized Balance at 12/31/00 (per filing truing up actual for December 2000)	<u>0</u>
14	Requested Factor O (line 11 - line 12 - line 13)	<u>\$0</u>

Northern Illinois Gas Company
d/b/a Nicor Gas Company
Docket No. 00-0718
PGA Reconciliation for the Year Ended December 31, 2000

Non-Commodity Gas Cost

Line	Description	Per Filings
1	Unamortized Balance as of 12/31/99 per 1999 Reconciliation	0
2	Factor A Adjustments Amortized to Schedule 1 at 12/31/99 per 1999 Reconciliation	3,064,951
3	Factor O Collected/(Refunded) during 2000	<u>0</u>
4	Balance to be Collected/(Refunded) during 2000 from prior periods (sum of lines 1 thru 3)	<u>\$3,064,951</u>
5	2000 Gas Costs	119,280,125
6	2000 PGA Revenues	(134,987,466)
7	Pipeline Surcharges/(Refunds)	(570,364)
8	Other Adjustments	0
9	Interest	<u>0</u>
10	2000 Under/(Over) Recovery (sum of lines 5 thru 9)	<u>(\$16,277,705)</u>
11	Under/(Over) Recovery Balance at 12/31/00 (line 4 + line 10)	(13,212,754)
12	Factor A Adjustments Amortized to Schedule 1 at 12/31/00	(13,212,754)
13	Unamortized Balance at 12/31/00 (per filing truing up actual for December 2000)	<u>0</u>
14	Requested Factor O (line 11 - line 12 - line 13)	<u>\$0</u>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Northern Illinois Gas Company (Doing Business as Nicor Gas Company):

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of Nicor Gas Company (Northern Illinois Gas Company is an Illinois corporation and a wholly owned subsidiary of Nicor Inc.) and subsidiary company for the year ended December 31, 2000, and have issued our report thereon dated January 22, 2001. We have also audited the accompanying statement of reconciliation balance for the reconciliation period ended December 31, 2000, and the supporting statements of revenues and recoverable gas costs for the commodity and non-commodity related reconciliation balances for the reconciliation period ended December 31, 2000. These statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statements were prepared for the purposes of complying with Section G of Rider 6 of the Company's rate schedule in effect and on file with the Illinois Commerce Commission.

In our opinion, the statements referred to above present fairly, in all material respects, the information set forth therein of Nicor Gas Company for the reconciliation period ended December 31, 2000, in accordance with Section G of Rider 6 of the Company's rate schedule as filed with the Illinois Commerce Commission.

This report is intended solely for the information and use of Nicor Gas Company and the Illinois Commerce Commission and is not intended to be and should not be used by anyone other than these specified parties.

Arthur Andersen LLP

Arthur Andersen LLP

Chicago, Illinois,
January 22, 2001

STATE OF ILLINOIS)
)
COUNTY OF DUPAGE)

VERIFICATION

George M. Behrens, being first duly sworn, states that he is Vice President of Northern Illinois Gas Company, that he has read the foregoing Statement by him subscribed and knows the contents thereof; and that the statements therein contained are true to the best of his knowledge and belief.

George M. Behrens
George M. Behrens

SUBSCRIBED AND SWORN TO,
before me this 21 day
of March, 2001.

[Signature]
Notary Public

My Commission expires:

May 15, 2004



State of Illinois)
)
County of DuPage)

AFFIDAVIT OF THOMAS M. MORETTI

Thomas M. Moretti, being duly sworn, deposes and states as follows:

1. My name is Thomas M. Moretti. I am Coordinator of Rate Administration for Northern Illinois Gas Company d/b/a Nicor Gas Company. I am responsible for the review and compliance activities as they pertain to the Company's Terms and Conditions, and Rates and Riders. I am also the liaison with the Consumer Affairs and Chief Clerks sections of the Illinois Commerce Commission.
2. I have caused to be submitted in Illinois Commerce Commission Docket No. 00-0718 on behalf of Northern Illinois Gas Company d/b/a Nicor Gas Company, prepared testimony identified as the Direct Testimony of Thomas M. Moretti, consisting of 15 pages of questions and answers, and Exhibits A, B, and C. This testimony was prepared under my direction and supervision. There are no changes or corrections to this testimony and if I were asked the same questions, I would give the same answers as are set forth therein.
3. The aforesaid testimony is sworn testimony to be submitted in this docket.

Further Affiant sayeth not.

Thomas M. Moretti
Thomas M. Moretti

Sworn and Subscribed before me,
this 30 day of May, 2001

Karen De Lockery
Notary Public

My Commission expires 7/25/2004

